

**Department of Legislative Services**  
Maryland General Assembly  
2010 Session

**FISCAL AND POLICY NOTE**

House Bill 55  
Economic Matters

(Delegate Ivey)

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**Homeowner's Insurance - Coverage for Water Damage**

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This bill requires all insurers writing homeowner's insurance in the State to offer coverage for loss that is caused by or results from water damage (1) arising from sewers or drains connected to the insured's dwelling that is not caused by the negligence of the insured; or (2) resulting from a release or discharge of water from a water or sewerage system.

The bill applies prospectively to a homeowner's insurance policy issued, delivered, or sold in the State, on or after October 1, 2010.

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**Fiscal Summary**

**State Effect:** Special fund revenues from the \$125 filing fee collected by the Maryland Insurance Administration increase in FY 2011 to the extent that insurers are required to amend their contracts and forms to comply with the bill. The number of these filings cannot be accurately estimated. Expenditures are not affected, as consumer complaints are likely to decrease with greater insurance coverage afforded for losses arising from water damage.

**Local Effect:** The bill does not directly affect local finances or operations.

**Small Business Effect:** Potential minimal.

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**Analysis**

**Current Law:** An insurer issuing, selling, or delivering homeowner's insurance policies in the State must offer the insured in writing the opportunity to purchase coverage for

sewer or drain water backup damage at the time of initial policy application and at each renewal.

For the initial offer at the time of application, an insurer may make the offer for coverage for loss arising from water damage as part of the application itself, or include the offer of coverage in a separate form as part of the application records. At renewal, an insurer may notify the insured of the option of purchasing coverage for loss caused by water damage by including an offer of coverage in the renewal package. The renewal offer must clearly state that the offer is mandatory, and include language that instructs the insured on how to obtain coverage for loss arising from water damage should the insured elect to purchase a policy.

**Background:** Chapter 72 of 2008 amended the Insurance Article to require that the mandatory offer of coverage for loss arising from water damage be made in writing at the time of the initial application and at each renewal.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Department of the Environment, Maryland Insurance Administration, Department of Legislative Services

**Fiscal Note History:** First Reader - January 28, 2010  
ncs/ljm

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